

# EXHIBIT 3



American  
International  
Group, Inc.

2006  
Annual  
Report



**Putting Strategies Into Action**

## Asset Management Operations

AIG's Asset Management operations comprise a wide variety of investment-related services and investment products. Such services and products are offered to individuals and institutions both domestically and overseas, and are primarily comprised of Spread-Based Investment Businesses, Institutional Asset Management and Brokerage Services and Mutual Funds.

The revenues and operating income for this segment are subject to variability because they are affected by the general conditions in the equity and credit markets. In addition, realized gains and performance fees are contingent upon various fund closings, maturity levels and market conditions.

### Spread-Based Investment Business

In prior years, the sale of GICs to investors, both domestically and overseas, was AIG's primary institutional Spread-Based Investment Business. During 2005, AIG launched its MIP and its asset management subsidiaries, primarily SunAmerica Life, ceased writing new GIC business. The GIC business will continue to run off for the foreseeable future while the MIP business is expected to grow.

### Institutional Asset Management

AIG's Institutional Asset Management business provides an array of investment products and services globally to institutional investors, AIG subsidiaries and affiliates and high net worth investors. These products and services include traditional equity and fixed income investment management and a full range of alternative asset classes. Delivery of AIG's Institutional Asset Management products and services is accomplished via a global network of operating subsidiaries comprising AIGGIG. The primary operating entities within this group are AIG Global Investment Corp., AIG Global Real Estate Investment Corp. and AIG Private Bank. AIG Private Bank offers banking, trading and investment management services to private client and high net worth individuals and institutions globally.

Within the alternative investment asset class, AIGGIG offers hedge and private equity fund-of-funds, direct investments and distressed debt investments. Within the structured fixed income and equity product asset class, AIGGIG offers various forms of structured and credit linked notes, various forms of collateralized debt obligations and other investment strategies aimed at achieving superior returns or capital preservation. In addition, Institutional Asset Management's product offerings include various forms of principal protected and liability management structures.

### Brokerage Services and Mutual Funds

AIG's Brokerage Services and Mutual Funds business provides mutual fund and broker-dealer related services to retail investors, group trusts and corporate accounts through an independent network of financial advisors. The AIG Advisor Group, Inc., a subsidiary of AIG Retirement Services, Inc., is comprised of several broker-dealer entities that provide these services to

clients primarily in the U.S. marketplace. SAAMCo manages, advises and/or administers retail mutual funds, as well as the underlying assets of variable annuities sold by AIG SunAmerica and VALIC to individuals and groups throughout the United States.

### Other

Included in the Other category for Asset Management is income or loss from partnerships. Partnership assets consist of investments in a diversified portfolio of private equity funds, affordable housing partnerships and hedge fund investments.

## Asset Management Results

### Asset Management results for 2006, 2005 and 2004 were as follows:

| (in millions)                                    | 2006           | 2005    | 2004    |
|--|----------------|---------|---------|
| <b>Revenues:</b>                                 |                |         |         |
| Spread-Based Investment Business                 | <b>\$3,554</b> | \$3,547 | \$3,192 |
| Institutional Asset Management                   | <b>1,670</b>   | 1,195   | 1,049   |
| Brokerage Services and Mutual Funds              | <b>293</b>     | 257     | 249     |
| Other  | <b>297</b>     | 326     | 224     |
| <b>Total</b>                                     | <b>\$5,814</b> | \$5,325 | \$4,714 |
| <b>Operating income:</b>                         |                |         |         |
| Spread-Based Investment Business <sup>(a)</sup>  | <b>\$ 947</b>  | \$1,185 | \$1,328 |
| Institutional Asset Management <sup>(b)(c)</sup> | <b>1,031</b>   | 686     | 515     |
| Brokerage Services and Mutual Funds              | <b>87</b>      | 66      | 70      |
| Other  | <b>281</b>     | 316     | 212     |
| <b>Total</b>                                     | <b>\$2,346</b> | \$2,253 | \$2,125 |

(a) Includes the effect of hedging activities that did not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses. For 2004, the effect was a gain of \$313 million in operating income. During 2006 and 2005, these derivative gains and losses were reported as part of AIG's Other category, and were not reported in Asset Management operating income.

(b) Includes the full results of certain AIG managed private equity and real estate funds that are consolidated pursuant to FIN 46(R), "Consolidation of Variable Interest Entities". Also includes \$346 million, \$261 million and \$195 million for 2006, 2005 and 2004, respectively, of third-party limited partner earnings offset in minority interest expense on the consolidated statement of income which is not a component of operating income.

(c) Includes the full results of certain AIG managed partnerships that are consolidated effective January 1, 2006 pursuant to EITF 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights". For 2006, operating income includes \$252 million of third-party limited partner earnings offset in minority interest expense which is not a component of operating income.